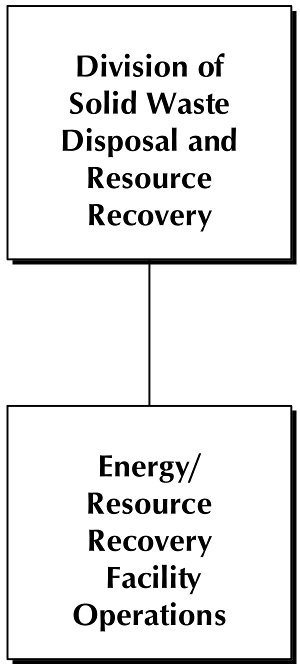
Fund 112
Energy/Resource Recovery Facility



Mission
To serve Fairfax County citizens by providing effective and environmentally-sound solid waste disposal by converting waste-to-energy; by reducing the need for landfill space through volume reduction of solid waste; and by managing the operational contract in the best interests of the citizens.

Focus
Fund 112 manages the contract for the I-95 Energy/Resource Recovery Facility (E/RRF), owned and operated by Covanta Fairfax, Inc. (Covanta). Under the terms of the Service Agreement, the County is required to deliver at least 930,750 tons of municipal solid waste (MSW) per year for which it pays a disposal fee to Covanta. The facility uses approximately 1,085,000 tons of waste annually to produce 72 megawatts of electricity that is sold to Dominion Virginia Power.

In order to meet the guaranteed annual tonnage, the County accepts additional MSW from other regional jurisdictions and through the Supplemental Waste program. Refuse is exchanged with Prince William County under a mutually beneficial agreement. Efforts by the fund to maximize revenues through additional MSW from other jurisdictions and the refuse exchange agreement with Prince William County have significantly increased revenues in those categories and have reduced the burden on Fairfax County ratepayers.

The County charges a disposal fee to all users of the E/RRF and subsequently pays the contractual disposal fee to Covanta from these revenues. Revenues from the sale of electricity and supplemental waste are used to offset the cost of the disposal fee paid to Covanta. When the E/RRF is not able to handle the amount of waste available, some waste is diverted to Virginia landfills. Staff must be constantly vigilant in balancing waste as a commodity to ensure that it is disposed of efficiently and cost-effectively.

Pursuant to an agreement between Dominion Virginia Power and Covanta signed in 1987 and amended in 1996, Dominion Virginia Power will purchase electricity from Covanta at a lower rate in May 2005. As a result, Covanta will realize lower electricity revenues beginning in FY 2005 until the end of the County's contract with Covanta. Since fewer electricity revenues will be available to offset the costs of operating the E/RFF, Covanta will begin charging the County more in Fund 112 for the operation of the plant. In order to minimize the future impact of this revenue loss, a $2 per ton increase in the tipping fee from $30 to $32 is planned for FY 2005.

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Agency accomplishments, new initiatives and performance measures are displayed at a program-wide level. Please refer to the Solid Waste Management Program Overview in Volume 2 of the FY 2005 Adopted Budget Plan for those items.

Budget and Staff Resources

Agency Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	9/ 9	9/ 9	9/ 9	9/ 9	9/ 9
Expenditures:					
Personnel Services	$466,024	$518,725	$526,249	$593,967	$593,967
Operating Expenses	28,869,229	32,943,299	36,707,003	32,083,367	32,083,367
Capital Equipment	0	30,000	19,343	99,000	99,000
Total Expenditures	**$29,335,253**	**$33,492,024**	**$37,252,595**	**$32,776,334**	**$32,776,334**

Position Summary					
1	Management Analyst III	1	Engineering Technician II	1	Administrative Assistant II
1	Management Analyst II	1	Heavy Equipment Operator	4	Weighmasters
TOTAL POSITIONS					
9 Positions / 9.0 Staff Years					

FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

♦ **Employee Compensation** **$19,910**
An increase of $19,910 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.

♦ **Limited-Term Weighmasters** **$55,332**
An increase of $55,332 in Personnel Services associated with funding two limited-term weighmasters to provide continuous staffing at the E/RRF.

♦ **Contractor Compensation** **($2,623,636)**
A net decrease of $2,623,636 in Operating Expenses primarily associated with lower than anticipated contractor compensation paid to Covanta and other consultants for the operation of the E/RRF.

♦ **Capital Equipment** **$99,000**
Funding of $99,000 has been included for Capital Equipment for new items. Of this funding, $85,000 is for two demolition trailers that will haul diverted metals and $14,000 is for one electric truck to improve accessibility at the E/RFF and the I-95 Landfill.

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Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2005 Advertised Budget Plan, as approved by the Board of Supervisors on April 26, 2004:

- The Board of Supervisors made no adjustments to this fund.

Changes to FY 2004 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- **Carryover Adjustments** **$1,763,704**

  As part of the *FY 2003 Carryover Review*, the Board of Supervisors approved an administrative adjustment that increased Operating Expenses by $1,763,704 and the General Fund Transfer by $1,763,704 for a tax liability.

The following funding adjustments reflect all approved changes to the FY 2004 Revised Budget Plan from January 1, 2004 through April 19, 2004. Included are all adjustments made as part of the FY 2004 Third Quarter Review:

- **Third Quarter Revenue Adjustments** **($1,103,030)**

  As part of the *FY 2004 Third Quarter Review*, the Board of Supervisors approved a revenue decrease of $1,103,030 primarily associated with a continuing Virginia Department of Environmental Quality review that has limited the revenues in the supplemental waste program. Based on the most current regulatory interpretation, manufacturing and industrial tonnages are no longer accepted in the supplemental waste program, thus reducing the FY 2004 revenues from this program.

- **Third Quarter Expenditure Adjustments** **$1,996,867**

  As part of the *FY 2004 Third Quarter Review*, the Board of Supervisors approved an expenditure increase of $1,996,867 including $2,000,000 in Operating Expenses and $7,524 in Personnel Services, offset by a decrease of $10,657 in Capital Equipment. This is primarily associated with higher than anticipated contractor compensation costs and higher tonnage volumes resulting from Hurricane Isabel.

FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 112, Energy/Resource Recovery Facility (E/RRF)

	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Beginning Balance	**$10,174,238**	**$9,913,716**	**$15,383,969**	**$15,938,340**	**$12,838,443**
Revenue:					
Disposal Revenue:					
County of Fairfax[1]	$24,874,509	$25,791,570	$25,340,606	$26,605,312	$26,605,312
District of Columbia[2]	6,514,234	4,816,112	4,680,000	5,152,997	5,152,997
Waste Exchange Agreement[3]	1,371,489	961,200	1,693,337	1,714,752	1,714,752
Wastewater Services[4]	149,585	145,167	105,555	148,512	148,512
Non-Fairfax Waste[5]	317,127	27,000	776,623	1,476,000	1,476,000
Tire Program[6]	710,310	657,983	0	0	0
Supplemental Waste[7]	173,315	1,200,192	91,106	183,820	183,820
Subtotal Revenue	$34,110,569	$33,599,224	$32,687,227	$35,281,393	$35,281,393
Other Revenue:					
Interest on Investments	$134,101	$197,171	$136,138	$139,460	$139,460
Miscellaneous[8]	300,314	250,000	120,000	100,000	100,000
Subtotal Other Revenue	$434,415	$447,171	$256,138	$239,460	$239,460
Total Revenue	$34,544,984	$34,046,395	$32,943,365	$35,520,853	$35,520,853
Transfers In:					
General Fund (001)	$0	$0	$1,763,704	$0	$0
Total Transfers In	$0	$0	$1,763,704	$0	$0
Total Available	**$44,719,222**	**$43,960,111**	**$50,091,038**	**$51,459,193**	**$48,359,296**
Expenditures:					
Personnel Services	$466,024	$518,725	$526,249	$593,967	$593,967
Operating Expenses[9]	28,869,229	32,943,299	36,707,003	32,083,367	32,083,367
Capital Equipment	0	30,000	19,343	99,000	99,000
Total Expenditures	$29,335,253	$33,492,024	$37,252,595	$32,776,334	$32,776,334
Total Disbursements	**$29,335,253**	**$33,492,024**	**$37,252,595**	**$32,776,334**	**$32,776,334**
Ending Balance[10]	**$15,383,969**	**$10,468,087**	**$12,838,443**	**$18,682,859**	**$15,582,962**
Tipping Fee Reserve	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Rate Stabilization Reserve[11]	12,422,388	8,968,087	11,338,443	8,317,769	8,317,769
Operations and Maintenance Reserve[12]	0	0	0	8,865,090	5,765,193
Unreserved Ending Balance	**$1,461,581**	**$0**	**$0**	**$0**	**$0**
Disposal Rate/Ton	$30/ton	$30/ton	$30/ton	$32/ton	$32/ton

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[1] The fee for the I-95 Energy/Resource Recovery Facility was $30 per ton for FY 2003 and FY 2004 and will be $32 per ton in FY 2005.

[2] Based upon an anticipated contract with the District of Columbia government for residential waste only.

[3] Prince William County waste is received at the E/RRF as a result of the Interjurisdictional Solid Waste Facility Use Agreement. In recent years, haulers from Prince William County have disposed of increasing amounts of waste at the E/RRF.

[4] Wastewater Services includes the disposal of grit and screenings and other wastewater-related material from the Alexandria Sanitation Authority (ASA).

[5] Non-Fairfax Waste is waste from other jurisdictions that is disposed by haulers with contracts with the County. In recent years, there has been a significant increase in waste delivered from other jurisdictions.

[6] Revenues received from the Tire Program. Tire Program revenues are reflected in Fund 110, Refuse Disposal beginning in FY 2005. Since the E/RRF no longer incinerates tires, it is more accurate to reflect their disposal in Fund 110, Refuse Disposal.

[7] Supplemental Waste is being tracked separately from Spot Waste beginning in FY 2005 and is the basic fee to dispose of this waste. Additional fees that are paid above the basic fee are split between Covanta and the County and are reflected as Miscellaneous Revenue since tip fees vary depending upon the material types and market conditions. The Supplemental program has been under review by the Virginia Department of Environmental Quality which has accounted for the decrease in revenues. Spot Waste, though being tracked separately, is not budgeted in FY 2005 and therefore is not listed on the Fund Statement.

[8] Miscellaneous Revenue is generated by the excess amount that Covanta charges to dispose of Supplemental Waste.

[9] In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of $1,461,581 has been reflected as a decrease to FY 2003 expenditures to reflect an expenditure credit related to overbilling of tipping fees by Covanta Fairfax, Inc. The audit adjustment has been included in the FY 2003 Comprehensive Annual Financial Report. Details of the FY 2003 audit adjustments have been included in the FY 2004 Third Quarter Package.

[10] The ending balance increased between FY 2004 and FY 2005 primarily due to the increased revenues resulting from a $2 per ton increase in the tipping fee for disposing waste at the E/RRF.

[11] The Rate Stabilization Reserve is used to buffer against sharp increases in tip fees annually. Potentially steep increases could result from issues such as tax changes regarding energy sales, power deregulation, and state or EPA environmental fees. Contractual changes in the structure of power payments in FY 2005 necessitate having a reserve to cover the transition period.

[12] The Operations and Maintenance Reserve is necessary for ongoing improvements and enhancements to the E/RRF including emissions control efforts.